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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

TOM FORESE - Chairman
BOB BURNS
DOUG LITTLE
ANDY TOBIN
BOYD DUNN

Arizona Corporation Commission

DOCKETED

JUL 13 2017

DOCKETED BY

GB

In the matter of:

WMF Management, LLC, a Delaware
limited liability company,

Woodbridge Group of Companies, LLC, a
Delaware limited liability company,

Woodbridge Mortgage Investment Fund 1,
LLC, a Delaware limited liability company,

Woodbridge Mortgage Investment Fund 2,
LLC, a Delaware limited liability company,

Woodbridge Mortgage Investment Fund 3,
LLC, a Delaware limited liability company,

Woodbridge Mortgage Investment Fund
3A, LLC, a Delaware limited liability
company,

Robert H. Shapiro, an unmarried man,

Robert W. Carfagno, Senior. (CRD no.
2387162), and Debra L. Carfagno, husband
and wife,

AIO Financial LLC, an Arizona limited
liability company,

William M. Holliday (CRD no. 4930333),
and Guadalupe A. Holliday, husband and
wife,

Respondents.

DOCKET NO. S-20988A-16-0354

DECISION NO. 76198

**ORDER TO CEASE AND DESIST AND
ORDER FOR ADMINISTRATIVE
PENALTIES AND CONSENT TO SAME
BY: AIO FINANCIAL, LLC, WILLIAM M.
HOLLIDAY, AND GUADALUPE A.
HOLLIDAY**

Respondents AIO Financial, LLC, William M. Holliday, and Guadalupe A. Holliday
(collectively "Respondents") elect to permanently waive any right to a hearing and appeal under

Articles 7 and 8 of the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* (“Investment Management Act”) with respect to this Order to Cease and Desist and Order for Administrative Penalties (“Order”). Respondents admit the jurisdiction of the Arizona Corporation Commission (“Commission”); admit only for purposes of this proceeding and any other proceeding in which the Commission is a party the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. AIO Financial, LLC (“AIO Financial”) is a limited liability company organized under the laws of the state of Arizona in December 2004. AIO Financial’s office is in Tucson, Arizona. Since at least October 22, 2015, AIO Financial has been licensed by the Commission as an investment advisor with CRD no. 114030.

2. Since at least October 22, 2015, William M. Holliday (“Holliday”) has been a married man and a resident of the state of Arizona. Since at least October 22, 2015, Holliday has been licensed by the Commission as an investment advisor representative with CRD no. 4930333 and employed by AIO Financial. AIO Financial is member-managed, and Holliday is one of its two members.

3. Since at least October 22, 2015, Guadalupe A. Holliday (“Respondent Spouse”) has been the spouse of William M. Holliday. Respondent Spouse is joined in this action under A.R.S. § 44-3291(C) solely for purposes of determining the liability of her marital community.

4. Since at least October 22, 2015, Holliday has been acting for his own benefit and for the benefit or in furtherance of his marital community.

5. Woodbridge Mortgage Investment Fund 1, LLC, Woodbridge Mortgage Investment Fund 2, LLC, and Woodbridge Mortgage Investment Fund 3, LLC (collectively “The Woodbridge Funds”) are commercial lenders that make hard-money loans secured by commercial property. The

1 Woodbridge Funds raise money from investors to help fund the hard-money loans. The Woodbridge
2 Funds refer to these investments as First Position Commercial Mortgages ("FPCM").

3 6. An FPCM consists of a promissory note from a Woodbridge Fund, a loan agreement,
4 and a non-exclusive assignment of the Woodbridge Fund's security interest in the mortgage for the
5 underlying hard-money loan. The Woodbridge Funds pool money from multiple investors for each
6 hard-money loan. The Woodbridge Funds' advertising materials note that the Woodbridge Funds are
7 obligated to make payments to FPCM investors even if the hard-money borrower defaults.

8 7. The FPCMs are securities in the form of notes, investment contracts, and/or real
9 property investment contracts.

10 8. FPCMs involve risks that are typically associated with real estate investments. An
11 investor might need to sue the Woodbridge Fund or the third party hard-money borrower to recover
12 the investment. The value of the real estate collateral for the hard-money loan might be too low due
13 to depreciation or the Woodbridge Funds' failure to properly value it. If the real estate does not
14 adequately collateralize the loan, the Woodbridge Funds may fail to maintain enough liquid cash
15 reserve to continue making payments to the investor. And the investor's security interest in the real
16 estate collateral could be invalidated by the Woodbridge Funds' failure to properly perfect the
17 security interest (collectively "Risks").

18 9. On May 4, 2015, the Woodbridge Funds consented to an order by the Massachusetts
19 Securities Division ("Massachusetts Consent"). The Massachusetts Consent found that the FPCMs
20 are securities and that the Woodbridge Funds had violated the Massachusetts Uniform Securities Act
21 by selling unregistered securities. The Massachusetts Consent also required them to offer rescission
22 to Massachusetts investors and to pay a civil penalty of \$250,000.

23 10. On July 17, 2015, the Texas State Securities Board issued an emergency cease and
24 desist order ("Texas Order") against Woodbridge Mortgage Investment Fund 3, LLC and other
25 parties that ordered them to stop engaging in fraud in connection with the sale of securities in Texas.
26 The Texas Order alleged that the FPCMs are securities and alleged that Woodbridge Fund 3 was

engaging in fraud in connection with the sale of securities by failing to disclose the Massachusetts Consent and various investment risks to potential investors.

11. Arizona resident J.J. invested \$25,000 in an FPCM from Woodbridge Mortgage Investment Fund 1, LLC on approximately October 22, 2015.

12. Arizona resident J.R. invested \$25,000 in an FPCM from Woodbridge Mortgage Investment Fund 2, LLC on approximately October 30, 2015.

13. Former Arizona resident R.M. invested \$50,000 in an FPCM from Woodbridge Mortgage Investment Fund 3, LLC on approximately January 26, 2016.

14. J.J., J.R., and R.M. were investment advisory clients of AIO Financial and Holliday at the times of their FPCM investments. AIO Financial and Holliday recommended the FPCMs to them during portfolio reviews conducted in AIO Financial's Tucson, Arizona office.

15. Prior to recommending the FPCMs to their clients, AIO Financial and Holliday did not conduct reasonable due diligence of the Woodbridge Funds, which would have uncovered the Risks of the FPCMs and the details of the Massachusetts Consent and the Texas Order.

16. Before they invested, J.J., J.R., and R.M. were not informed of the Massachusetts Consent or the Texas Order. Nor were they informed of the Risks of the FPCMs.

17. The Woodbridge Funds subsequently repaid J.J., J.R., and R.M.'s investments in full.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Investment Management Act.

2. Respondents AIO Financial and Holliday failed to abide by A.R.S. § 44-3201(A)(13).

3. Respondents AIO Financial and Holliday's conduct is grounds for administrative penalties under A.R.S. § 44-3201, as set forth herein.

4. Respondent Holliday acted for the benefit of the marital community and, pursuant to A.R.S. §§ 25-214 and 25-215, this order of administrative penalties is a debt of the community.

III. ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-3292, that Respondents AIO Financial and Holliday, and any of their agents, employees, successors and assigns, permanently cease and desist from violating the Investment Management Act.

IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-3201, that Respondent Holliday, individually, and the marital community of Respondent Holliday and Respondent Spouse, jointly and severally shall, jointly and severally with Respondent AIO Financial, pay an administrative penalty in the amount of \$3,000 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the Commission may bring further legal proceedings against Respondent, including application to the superior court for an order of contempt.

IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this Order shall be deemed binding against any Respondent under this Docket Number who has not consented to the entry of this Order.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Mr. Forese

CHAIRMAN FORESE

[Signature]

COMMISSIONER DUNN

[Signature]

COMMISSIONER TOBIN

[Signature]

COMMISSIONER LITTLE

EXCUSED
COMM. BURNS

COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 13th day of July, 2017.

[Signature]

TED VOGT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

(PSK)

CONSENT TO ENTRY OF ORDER

1
2 1. Respondent AIO Financial, an Arizona limited liability company, and Respondent
3 Holliday and Respondent Spouse, individuals, admit the jurisdiction of the Commission over the
4 subject matter of this proceeding. Respondents acknowledge that Respondents have been fully
5 advised of Respondents' right to a hearing to present evidence and call witnesses and Respondents
6 knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other
7 rights otherwise available under Article 7 of the Investment Management Act and Title 14 of the
8 Arizona Administrative Code. Respondents acknowledge that this Order to Cease and Desist and
9 Order for Administrative Penalties ("Order") constitutes a valid final order of the Commission.

10 2. Respondents knowingly and voluntarily waive any right under Article 8 of the
11 Investment Management Act to judicial review by any court by way of suit, appeal, or extraordinary
12 relief resulting from the entry of this Order.

13 3. Respondents acknowledge and agree that this Order is entered into freely and
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. Respondent AIO Financial, Respondent Holliday, and Respondent Spouse have been
16 represented by an attorney in this matter, and Respondent AIO Financial, Respondent Holliday, and
17 Respondent Spouse have reviewed this order with their attorney, Michael Rubin of Dickinson Wright
18 PLLC, and understand all terms it contains. Respondent AIO Financial, Respondent Holliday, and
19 Respondent Spouse acknowledge that their attorney has apprised them of their rights regarding any
20 conflicts of interest arising from dual representation. Respondent AIO Financial, Respondent
21 Holliday, and Respondent Spouse acknowledge that they have each given their informed consent to
22 such representation.

23 5. Respondents admit only for purposes of this proceeding and any other proceeding in
24 which the Commission is a party the Findings of Fact and Conclusions of Law contained in this
25 Order. Respondents agree that they shall not contest the validity of the Findings of Fact and
26

1 Conclusions of Law contained in this Order in any present or future proceeding in which the
2 Commission is a party.

3 6. Respondents further agree that they shall not deny or contest the Findings of Fact and
4 Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding, or
5 (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)").
6 They further agree that in any such proceedings, the Findings of Fact and Conclusions of Law
7 contained in this Order may be taken as true and correct and that this Order shall collaterally estop
8 them from re-litigating with the Commission or any other state agency, in any forum, the accuracy
9 of the Findings of Fact and Conclusions of Law contained in this Order. In the event Respondent
10 Holliday or Respondent Spouse pursues bankruptcy protection in the future, they further agree that
11 in such bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances
12 exist:

13 A. The obligations incurred as a result of this Order are a result of the conduct set forth
14 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
15 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

16 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
17 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
18 Respondent Holliday and Respondent Spouse pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court
19 order for damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee,
20 cost or other payment owed by Respondent Holliday and Respondent Spouse pursuant to 11 U.S.C.
21 § 523(a)(19)(B)(iii).

22 7. By consenting to the entry of this Order, Respondents agree not to take any action or
23 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
24 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
25 basis.

1 8. While this Order settles this administrative matter between Respondents and the
2 Commission, Respondents understand that this Order does not preclude the Commission from
3 instituting other administrative or civil proceedings based on violations that are not addressed by this
4 Order.

5 9. Respondents understand that this Order does not preclude the Commission from
6 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
7 that may be related to the matters addressed by this Order.

8 10. Respondents understand that this Order does not preclude any other agency or officer
9 of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
10 proceedings that may be related to matters addressed by this Order.

11 11. Respondents agree that they will continue to cooperate with the Securities Division
12 including, but not limited to, providing complete and accurate testimony at any hearing in this matter
13 and cooperating with the state of Arizona in any related investigation or any other matters arising
14 from the activities described in this Order.

15 12. Respondent Holliday and Respondent Spouse acknowledge that any penalties
16 imposed by this Order are obligations of Respondent Holliday as well as the marital community.

17 13. Respondents consent to the entry of this Order and agree to be fully bound by its terms
18 and conditions.

19 14. Respondents acknowledge and understand that if Respondents fail to comply with the
20 provisions of the order and this consent, the Commission may bring further legal proceedings against
21 Respondents, including application to the superior court for an order of contempt.

22 15. Respondents understand that default shall render Respondents liable to the
23 Commission for its costs of collection, including reasonable attorneys' fees and interest at the
24 maximum legal rate.

25 16. Respondents agree and understand that if Respondents fail to make any payment as
26 required in the Order, any outstanding balance shall be in default and shall be immediately due and

payable without notice or demand. Respondents agree and understand that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

17. Respondent Holliday represents that he is a managing member of AIO Financial and has been authorized by AIO Financial to enter into this Order for and on behalf of it.

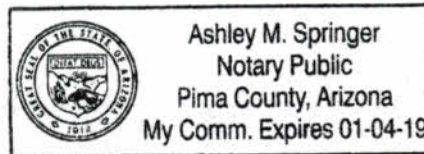
William M. Holliday
(William M. Holliday)

Guadalupe A. Holliday
(Guadalupe A. Holliday)

AIO Financial, LLC

By William M. Holliday
Its Managing member

STATE OF ARIZONA)
County of) ss)



SUBSCRIBED AND SWORN TO BEFORE me this 6th day of June, 2017.

Ashley M. Springer
NOTARY PUBLIC

My commission expires:

01/04/2019

SERVICE LIST FOR: WMF MANAGEMENT, LLC et al.

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 COMMISSIONERS

4 TOM FORESE – Chairman
5 BOB BURNS
6 DOUG LITTLE
ANDY TOBIN
BOYD DUNN

7 In the matter of:)

8 WMF Management, LLC, a Delaware limited)
9 liability company,)

10 Woodbridge Group of Companies, LLC, a)
Delaware limited liability company,)

11 Woodbridge Mortgage Investment Fund 1, LLC,)
12 a Delaware limited liability company,)

13 Woodbridge Mortgage Investment Fund 2, LLC,)
a Delaware limited liability company,)

14 Woodbridge Mortgage Investment Fund 3, LLC,)
15 a Delaware limited liability company,)

16 Woodbridge Mortgage Investment Fund 3A,)
LLC, a Delaware limited liability company,)

17 Robert H. Shapiro, an unmarried man,)

18 Robert W. Carfagno, Senior. (CRD no.)
19 2387162), and Debra L. Carfagno, husband and)
wife,)

20 AIO Financial LLC, an Arizona limited liability)
21 company,)

22 William M. Holliday (CRD no. 4930333), and)
Guadalupe A. Holliday, husband and wife,)

23 Respondents.)
24

DOCKET NO. S-20988A-16-0354

**CERTIFICATION OF SERVICE OF
PROPOSED OPEN MEETING
AGENDA ITEM**

25 On this 26th day of June, 2017, the foregoing document was filed with Docket Control as a
26 Securities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on

1 behalf of the Securities Division to the following who have not consented to email service. On this
2 date or as soon as possible thereafter, the Commission's eDocket program will automatically email
3 a link to the foregoing to the following who have consented to email service.

4 Michael Rubin
5 DICKINSON WRIGHT PLLC
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9 ANewman@dickinson-wright.com
10 Attorney for AIO Financial, LLC, William M. Holliday, and Guadalupe A. Holliday
11 **Consented to Service by Email**

12 Matthew Fischer
13 Timothy Sabo
14 SNELL & WILMER
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16 Phoenix Arizona 85004
17 mfischer@swlaw.com
18 tsabo@swlaw.com
19 docket@swlaw.com
20 amachrol@swlaw.com
21 jhoward@swlaw.com
22 Attorneys for Woodbridge Respondents
23 **Consented to Service by Email**

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25
26
By: 